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# Not in the labour force

## Labour Statistics: Concepts, Sources and Methods

Reference period: 2023

Released 24/11/2023

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This chapter is currently under review.

## Concepts and international guidelines

The population not in the labour force (that is, not currently economically active) comprises all persons not currently employed or unemployed, irrespective of age.

[Thirteenth International Conference of Labour Statisticians 1982 \(http://www.ilo.org/public/english/bureau/stat/download/res/ecacpop.pdf\)](http://www.ilo.org/public/english/bureau/stat/download/res/ecacpop.pdf)

Theoretically, then, persons not in the labour force include those below the age specified for measuring the economically active population. The international standards recognise that, for analytical purposes, the economically active population may be related to the total population to derive a crude participation rate or, more appropriately, to the population above the age prescribed for the measurement of the economically active population. In practice, many countries restrict the population scope of household surveys, and provide separately sourced estimates for those below the age limit when a total population estimate or a crude participation rate is required (e.g. for international reporting).

In the international guidelines ([Nineteenth International Conference of Labour Statisticians 2013 \(http://ilo.org/wcmsp5/groups/public/---dgreports/---stat/documents/normativeinstrument/wcms\\_230304.pdf\)](http://ilo.org/wcmsp5/groups/public/---dgreports/---stat/documents/normativeinstrument/wcms_230304.pdf)), the national system of work statistics will cover the work activities of the population in all age groups. To service different policy concerns, separate statistics are needed for the working age population.

To determine the working age population:

- the lower age limit should be set taking into consideration the minimum age for employment and exceptions specified in national laws or regulations, or the age of completion of compulsory schooling; and

- no upper age limit should be set, so as to permit comprehensive coverage of work activities of the adult population and to examine transitions between employment and retirement.

Not all persons who are classified as not in the labour force are voluntarily economically inactive; some want to work but are classified as not in the labour force because they do not satisfy the criteria for unemployment (active job search and availability to start work - see the section: Unemployment).

The international guidelines ([Thirteenth International Conference of Labour Statisticians 1982 \(http://www.ilo.org/public/english/bureau/stat/download/res/ecacpop.pdf\)](http://www.ilo.org/public/english/bureau/stat/download/res/ecacpop.pdf)) recommend that persons not in the labour force may be classified by reasons for inactivity, which are listed as:

- attendance at educational institutions;
- engagement in household duties;
- retirement or old age; and
- other reasons such as infirmity or disablement.

## **Marginal attachment to the labour force**

The international guidelines ([Thirteenth International Conference of Labour Statisticians 1982 \(http://www.ilo.org/public/english/bureau/stat/download/res/ecacpop.pdf\)](http://www.ilo.org/public/english/bureau/stat/download/res/ecacpop.pdf)) suggest that, where the standard definition of employment is used, countries develop classifications of persons not in the labour force according to the relative strength of attachment to the labour market. The International Labour Organisation, in its manual [Surveys of Economically Active Population, Employment, Unemployment and Underemployment \(http://www.ilo.org/stat/Publications/WCMS\\_215885/lang-en/index.htm\)](http://www.ilo.org/stat/Publications/WCMS_215885/lang-en/index.htm), states that persons marginally attached to the labour force are those not economically active under the standard definitions of employment and unemployment, but who, following a change in one of the standard definitions (of employment or unemployment, such as active job search or availability to start a job), would be reclassified as economically active.

## **Potential labour force (Entrants)**

In the international guidelines ([Nineteenth International Conference of Labour Statisticians 2013 \(http://ilo.org/wcmsp5/groups/public/---dgreports/---stat/documents/normativeinstrument/wcms\\_230304.pdf\)](http://ilo.org/wcmsp5/groups/public/---dgreports/---stat/documents/normativeinstrument/wcms_230304.pdf)), the potential labour force is defined as all persons of working age who, during the short reference period, were neither in employment nor in unemployment and:

- carried out activities to seek employment, were not currently available but would become available within a short subsequent period established in the light of national

circumstances (unavailable jobseekers); or

- did not carry out activities to seek employment, but want employment and were currently available (available potential jobseekers).

## **Discouraged workers**

The guidelines recognise that, though not precise in concept (nor defined in the international guidelines), the term 'discouraged workers' generally refers to persons who want a job and are currently available for work, but have given up any active job search because they believe they cannot find a job.

## **Discouraged job seekers**

In the international guidelines ([Nineteenth International Conference of Labour Statisticians 2013 \(http://ilo.org/wcmsp5/groups/public/---dgreports/---stat/documents/normativeinstrument/wcms\\_230304.pdf\)](http://ilo.org/wcmsp5/groups/public/---dgreports/---stat/documents/normativeinstrument/wcms_230304.pdf)), there are those who are currently available for work who did not seek employment for the following labour market-related reasons:

- personal reasons (own illness, disability, studies);
- family-related reasons (pregnancy, presence of small children, refusal by family);
- lack of transport;
- other sources of income (pensions, rents); and
- social exclusion.

## **Willing non-jobseekers**

The guidelines ([Nineteenth International Conference of Labour Statisticians 2013 \(http://ilo.org/wcmsp5/groups/public/---dgreports/---stat/documents/normativeinstrument/wcms\\_230304.pdf\)](http://ilo.org/wcmsp5/groups/public/---dgreports/---stat/documents/normativeinstrument/wcms_230304.pdf)) state that willing non-jobseekers are defined as persons not in employment who wanted employment, but did not seek employment and were not currently available. This group have an expressed interest in employment not included within the potential labour force, but relevant for social and gender analysis.

## **Definitions used in ABS surveys**

The ABS produces estimates of persons not in the labour force in a number of household surveys. The definition used is consistent with the concepts outlined above except for persons aged less than 15 years, who are generally excluded from ABS measures of labour force status. Persons not in the labour force are therefore generally defined in ABS household collections as 'persons aged 15 years and over who are neither employed nor unemployed'. Examples of those not in the labour force includes persons who are:

- retired or voluntarily inactive;
- performing home duties or caring for children;
- attending an educational institution;
- experiencing a long-term health condition or disability;
- experiencing a short-term illness or injury;
- looking after an ill or disabled person;
- on a travel, holiday or leisure activity;
- working in an unpaid voluntary job;
- in institutions (hospitals, jails, sanatoriums, etc.);
- permanently unable to work; and
- members of contemplative religious orders.

Estimates of persons not in the labour force vary across different household surveys because of differences in the definitions of employment and unemployment used in these surveys, and the respective scope of these surveys. As discussed in preceding sections, the Labour Force Survey (LFS) is designed to produce precise estimates of employment, unemployment and persons not in the labour force, and definitions used align closely with international standards. In other household surveys, it is generally not practical to define employment and unemployment as precisely as in the LFS. Two alternative questionnaire modules are used to collect measures of labour force status (i.e. employment, unemployment and persons not in the labour force) in these surveys: the reduced questionnaire module (for use in personal interview), and the self-enumerated questionnaire module.

Estimates of persons not in the labour force produced from the reduced questionnaire module (used in most Special Social Surveys) are higher than those produced from the LFS. This is due to differences in the treatment of certain categories of persons:

- the reduced questionnaire module for personal interviews does not ask respondents about the reasons they did not actively look for work. Therefore, the reduced questionnaire module does not identify 'future starters'. Future starters are persons who were not employed during the reference week, were waiting to start a job within four weeks from the end of the reference week, and could have started in the reference week if the job had been available then. Using the reduced questionnaire module, such persons are classified as not in the labour force rather than as unemployed, and
- in the LFS, persons on workers' compensation 'last' week and not returning or 'don't know if returning' to work, and persons away from work for four weeks or more without pay, are classified as either unemployed or not in the labour force. Using the reduced questionnaire module, all persons absent from work, but who usually work one hour or more a week, are classified as employed.

The self-enumerated questionnaire module (used in the Census of Population and Housing) also produces different estimates of persons not in the labour force when compared to the LFS. Some differences result from the shortened set of questions, which cannot determine labour force status as precisely as the LFS. Other differences result from the self-enumeration nature of the questions, and the inevitable differences in interpretation across respondents. As a result, estimates of persons not in the labour force from the self-enumerated questionnaire module are best used as explanatory or classificatory variables to explain other phenomena, rather than for detailed analysis of the labour force itself.

## **Marginal attachment to the labour force and discouraged job seekers**

Measures of persons marginally attached to the labour force and discouraged job seekers are collected by the ABS annually in a supplementary survey to the LFS, the Participation, Job Search and Mobility Survey. Definitions used in this survey are outlined below.

### **Marginal attachment**

Persons with marginal attachment to the labour force comprise those persons who are not in the labour force, and:

- wanted to work, are actively looking for work, but are not available to start work in the reference week; or
- are not actively looking for work, but wanted to work and are available to start work within four weeks; or
- are attached to a job, but are not currently working (either they have accepted a job offer but have not yet started work, are away from work on workers compensation, or are away from work without pay for four weeks or more).

This definition is consistent with that suggested by the international guidelines, and involves relaxing the criteria used to determine employed or unemployment in the LFS as follows:

- persons meeting the first set of criteria above (wanting to work, actively looking for work, not available to start work) would have been classified as unemployed if the unemployment criterion 'currently available for work' had been waived; and
- persons meeting the second set of criteria above (wanting to work, not actively looking for work, available to start within four weeks) would have been classified as unemployed if the unemployment criterion 'active job search' had been waived and the criterion 'currently available for work' had been relaxed to include the next four weeks. The circumstances that would permit people to start a job are likely to differ between persons in the labour force and those not in the labour force. Accordingly, a reference period of four weeks for the availability criterion is adopted, rather than current availability, as for the unemployed.
- persons meeting the third set of criteria (attached to a job but not currently working)

would be classified as employed if they started or returned to work for at least 1 hour or more.

## Discouraged job seekers

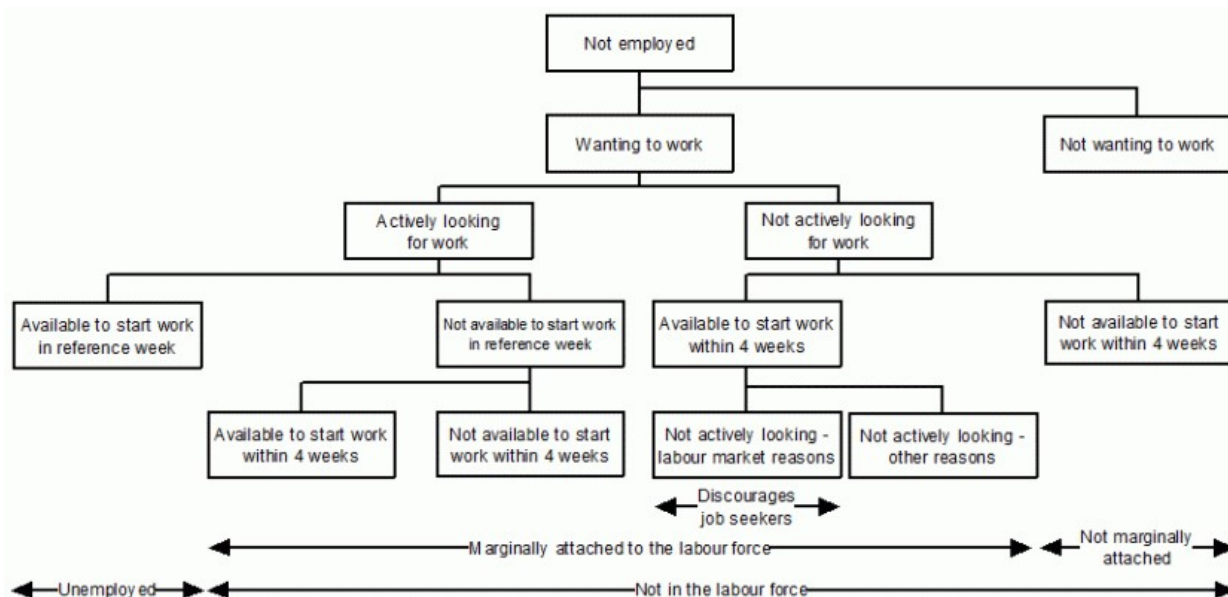
Discouraged job seekers are defined as persons with marginal attachment to the labour force who want to work and could start work within four weeks if offered a job, but who have given up looking for work for reasons associated with the labour market. This group includes persons who believe they would not find a job for any of the following reasons:

- considered to be too young or too old by employers;
- believes ill health or disability discourages employers;
- lacked necessary schooling, training, skills or experience;
- difficulties because of language or ethnic background;
- no jobs in their locality or line of work;
- no jobs in suitable hours; or
- no jobs available at all.

This definition of discouraged job seekers is consistent with the definition of discouraged workers outlined in international guidelines.

The diagram illustrates the concepts of not in the labour force, unemployed, marginally attached, and discouraged job seekers, as measured in the Participation, Job Search and Mobility (PJSM) Survey.

## Conceptual Framework: Persons Not in the Labour Force



## Data sources

Estimates of persons not in the labour force are available from:

- the Labour Force Survey (LFS);
- the Participation, Job Search and Mobility Survey (PJSM);
- the Census of Population and Housing; and
- Special Social Surveys.

### Labour Force Survey (LFS)

The LFS is the official source for Australian employment and unemployment statistics and defines persons not in the labour force according to the definitions outlined above, using the full questionnaire module. Persons not in the labour force are further classified as:

- looking for work (i.e. either undertook active job search and were not available to commence work, or undertook only passive job search);
- not looking for work;
- permanently unable to work; and
- in institutions.

Estimates of reason for inactivity, marginal attachment and discouraged job seekers are impractical to collect in the LFS, because of cost, time and respondent burden. These topics are therefore measured in an annual supplement to the LFS, as noted below.

Notwithstanding this, monthly estimates of the number of marginally attached persons who had actively looked for work, were not available to start work in the reference week, but were available to start within four weeks, are available from the LFS. For more details on the content and methodology of the LFS, refer to the section: Labour Force Survey.

### Participation, Job Search and Mobility (PJSM)

The supplement to the LFS, the PJSM Survey, is the main source of detailed information on persons not in the labour force. Persons not in the labour force are defined as for the LFS, but exclude persons living in Aboriginal and Torres Strait Islander communities. The exclusion of these persons will have only a minor impact on any aggregate estimates that are produced for individual states and territories, except the Northern Territory where such persons account for around a quarter of the population. In addition, the supplementary surveys exclude institutionalised persons, and this group of persons represents approximately 4% of persons not in the labour force. The survey produces estimates of persons marginally attached to the labour force, of discouraged job seekers, and of persons not in the labour force classified by reasons for inactivity. The definitions for marginal attachment and discouraged job seekers used in the survey are discussed above. For



further information on the content and methodology of the survey, refer to the section: Participation, Job Search and Mobility.

## **Census of Population and Housing**

The Census of Population and Housing uses the self-enumerated questionnaire module and defines persons not in the labour force as 'persons aged 15 years and over who, during the week before census night, were neither employed nor unemployed'. As discussed previously, the self-enumerated questionnaire uses a limited set of questions to collect labour force status and measures persons not in the labour force more broadly than collections using the full questionnaire modules. The LFS and its supplementary topic PJSM both use the full questionnaire. When comparing estimates from the Census with those from the LFS, or the PJSM Survey, users should also note differences in scope and methodologies across the collections. See the section: Census of Population and Housing for more information.

## **Special Social Surveys**

The Special Social Surveys generally use the reduced questionnaire module and define persons not in the labour force as 'persons who were neither employed nor unemployed during the reference period'. Estimates are generally only produced for persons (in scope of the survey) aged 15 years and over. As discussed previously, the reduced questionnaire module uses a limited set of questions to determine labour force status, and measures 'not in the labour force' less precisely than collections using the full questionnaire modules, including the LFS and its supplementary topic PJSM. When comparing estimates from the Special Social Surveys with the LFS, or with PJSM, users should also note differences in scope and methodologies across the collections.